

MEMO# 31925

August 29, 2019

China's New Rules on Fund Product Disclosure and Their Impacts on Northbound MRF Funds

[31925]

August 29, 2019 TO: ICI Global Members

Global Operations Advisory Committee

Global Operations Advisory Committee - Asia

ICI Global Pacific Chapter

ICI Global Regulated Funds Committee SUBJECTS: Compliance

Disclosure

Distribution

International/Global RE: China's New Rules on Fund Product Disclosure and Their Impacts on Northbound MRF Funds

On 26 July 2019, the China Securities Regulatory Commission (CSRC) released a set of new guidance setting out enhanced disclosure requirements for publicly offered securities investment funds in China^[1]. The new guidance aims to simplify disclosure requirements for public mutual funds (including northbound (HK-domiciled) funds distributed in China under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme) by requiring fund houses to publish simple, concise product information. The new rules will become effective on 1 September 2019.

We recently clarified with the Hong Kong Securities and Futures Commission (SFC) how the enhanced disclosure requirements would apply to northbound MRF funds. The SFC has confirmed with the CSRC that northbound MRF funds will continue to follow the existing disclosure requirements, including the timing, frequency of disclosure, and documentation requirements set out in the *Interim Provisions on the Management of Hong Kong Mutual Recognition Funds*, released by the CSRC. Northbound MRF funds do not need to comply with the CSRC's new disclosure requirements. For instance, northbound MRF funds can continue to use the Product Key Facts Statement (KFS) required by the SFC. They do not need to use the CSRC version of the KFS template.

We understand that the only new requirement applicable to northbound MRF funds under the CSRC's new disclosure requirements is that managers and distributors should confirm with investors that they have read the KFS before they subscribe to an MRF fund. Asset managers may refer to paragraph 9(1) of the *Administrative Measures for Information*

Disclosure for Publicly-offered Securities Investment Funds (Frequently Asked Questions), released by the CSRC on 26 July 2019.[\[2\]](#)

Alexa Lam
Chief Executive Officer, Asia Pacific
ICI Global

Irene Leung
Regional Lead, Member Relations and Research, Asia Pacific

endnotes

[\[1\]](#) See ICI Global Memorandum No. 31889, *China issues new rules on fund product disclosure*, dated 5 August 2019, available at <https://www.iciglobal.org/iciglobal/pubs/memos/memo31889>

[\[2\]](#) The *Administrative Measures for Information Disclosure for Publicly-offered Securities Investment Funds (Frequently Asked Questions)*, released by the CSRC on 26 July 2019, is available at <http://www.csrc.gov.cn/pub/zjhpublic/zjh/201907/P020190726759940557175.pdf>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.